

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
BOB STUMP - Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

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ARIZONA CORPORATION COMMISSION
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IN THE MATTER OF THE APPLICATION)	DOCKET NOS.	T-02871A-13-0143
OF GLOBAL TEL*LINK CORPORATION,)		T-03798A-13-0143
VALUE ADDED COMMUNICATIONS, INC.)		T-20734A-13-0143
DSI-ITI, LLC, AND PUBLIC)		T-03682A-13-0143
COMMUNICAITONS SERVICES, INC.)		
FOR APPROVAL OF ISSUANCE OF DEBT)		
AND RELATED FINANCING)		
TRANSACTIONS)		

FINANCING APPLICATION

Global Tel*Link Corporation ("GTL"), Value-Added Communications, Inc. ("VAC"), DSI-ITI, LLC ("DSI"), and Public Communications Services, Inc. ("PCS") (GTL, VAC, DSI, and PCS are hereinafter collectively referred to as the "Applicants"), hereby respectfully request that the Arizona Corporation Commission ("Commission") issue and order authorizing the issuance of debt and related financing transactions, as described herein (the "Proposed Financing"). Specifically, Applicants seek approval to act as a borrower on certain secured credit facilities as described below. In addition, Applicants request approval to grant a security interest in substantially all of their assets in support of the Proposed Financing.

Arizona Corporation Commission

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The Applicants request this authority pursuant to Section 40-285 of the Arizona Revised Statutes and R14-2-804(B)(1) of the Arizona Administrative Code to the extent it may be necessary.¹

In support of this Application, the Applicants provide the following information:

I. THE APPLICANTS

A. Global Tel*Link Corporation

GTL is a privately-held Delaware corporation whose principal offices are located at 2609 Cameron Street, Mobile, Alabama 36607. GTL is a wholly-owned subsidiary of GTEL Holdings, Inc., a Delaware corporation ("Holdings"). GTL is engaged in the business of providing managed telecommunications services to inmates of state and county departments of corrections and in owning and operating prison payphones and public payphones. These services enable inmates to communicate with friends, family members, legal counsel and other approved parties outside the correctional facilities. GTL provides these services throughout most of the continental United States. GTL holds a certificate of convenience and necessity ("CC&N") to provide customer owned pay telephone service in Arizona. Decision No. 59429 (December 20, 1995). The Proposed Transaction will have no effect on GTL's current rates, terms, or conditions for its managed inmate services in the State of Arizona.

B. Value-Added Communications, Inc.

Value-Added is a privately-held Delaware corporation whose principal offices are located at 3801 E. Plano Parkway, Suite 100, Plano, Texas 75074. Value-Added is a wholly-owned

¹ Although the Applicants are seeking any necessary approval for their participation in this financing transaction, the Companies are doing so without prejudice to their right to assert that this transaction is beyond the jurisdiction of the state commissions. *See, e.g., State ex rel. Utils. Comm'n v. S. Bell Tel. & Tel.*, 207 S.E.2d 772, *aff'd* 217 S.E.2d 543 (N.C. 1975).

subsidiary of VAC Holding, Inc., a Texas corporation, which is in turn a direct subsidiary of GTL, which is the sole managing member of Value-Added. Value-Added is engaged in the business of providing managed telecommunications services to inmates of state and county departments of corrections and in owning and operating prison payphones and public payphones. These services enable inmates to communicate with friends, family members, legal counsel, and other approved parties outside the correctional facilities. Value-Added provides these services throughout most of the continental United States. Value-Added holds a Certificate of Convenience and Necessity ("CC&N") to provide alternate operator services in Arizona. Decision No. 66456 (October 24, 2003). Value-Added is a Class A public utility based on annual operating revenues and is therefore subject to the Affiliate Interest Rules. Value-Added currently provides managed inmate services in the State of Arizona. The Proposed Transaction will have no effect on Value Added's current rates, terms, or conditions for its managed inmate services in the State of Arizona.

C. DSI-ITI, LLC

DSI is a privately-held Delaware limited liability company whose principal offices are located at 107 St. Francis Street, 33rd Floor, Mobile, Alabama 36602. DSI is a wholly-owned direct subsidiary of GTL, which is the sole managing member of DSI. DSI is engaged in the business of providing managed telecommunications services to inmates of state and county departments of corrections and in owning and operating prison payphones and public payphones. These services enable inmates to communicate with friends, family members, legal counsel, and other approved parties outside the correctional facilities. DSI holds a Certificate of Convenience and Necessity to provide customer-owned pay telephone service in the State of Arizona. Decision 72017 (December 10, 2010). DSI currently provides managed inmate services in the

State of Arizona. The Proposed Transaction will have no effect on DSI's current rates, terms, or conditions for its managed inmate services in the State of Arizona.

D. Public Communications Services, Inc.

PCS is a privately-held California corporation whose principal offices are located at 107 St. Francis Street, 33rd Floor, Mobile, Alabama 36602. PCS is a wholly-owned direct subsidiary of GTL, which is the sole managing member of PCS. PCS is engaged in the business of providing managed telecommunications services to inmates of state and county departments of corrections and in owning and operating prison payphones and public payphones. These services enable inmates to communicate with friends, family members, legal counsel, and other approved parties outside the correctional facilities. PCS provides these services throughout most of the continental United States. PCS holds a Certificate of Convenience and Necessity to provide customer-owned pay telephone service in the State of Arizona. Decision No. 61576 (March 15, 1999). PCS currently provides managed inmate services in the State of Arizona. The Proposed Transaction will have no effect on PCS's current rates, terms, or conditions for its managed inmate services in the State of Arizona.

E. GTEL Holdings, Inc.

Holdings is a privately-held Delaware corporation whose principal offices are located at 2609 Cameron Street, Mobile, Alabama 36607. Holdings is a holding company, whose only business activities are conducted through the Petitioners. Holdings is a wholly-owned direct subsidiary of GTEL Acquisition Corp.

F. GTEL Acquisition Corp.

GTEL Acquisition Corp. is a privately-held Delaware corporation whose principal offices are located at 590 Madison Avenue, 41st Floor, New York, New York 10022. GTEL

Acquisition Corp. is a holding company, whose only business activities are conducted through the Petitioners. GTEL Acquisition Corp. is wholly-owned by ASP GTEL Holdco, LLC.

G. ASP GTEL Holdco, LLC

ASP GTEL Holdco, LLC (“ASP GTL”) is a privately-held Delaware limited liability company whose principal offices are located at 299 Park Avenue, 34th Floor, New York, New York 10171. ASP GTL is not currently providing telecommunications in any state. ASP GTEL Investco, LLC (“ASP Investco”), a Delaware limited liability company, owns more than 90% of ASP GTL, with the remainder owned by current management of GTL.

II. DESIGNATED CONTACT.

The designated contacts for questions concerning this Application are as follows:

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Attorney for Global Tel*Link Corporation, Value Added Communications, Inc., DSI-ITI, LLC, and Public Communications Services, Inv.

III. DESCRIPTION OF PROPOSED FINANCING

Applicants seek approval to participate in a series of debt financing transactions.

Applicants emphasize that the Proposed Financing and pledge for which approval is sought are purely financial in nature and replace the Applicants’ existing credit facilities with new facilities on more favorable terms. In December 2011, the Arizona Commission approved the transfer of control of GTL, VAC, DSI-ITI and PCS and, in conjunction with that transfer of control, approved specific financing arrangements for Holdings and its subsidiaries. Arizona

Commission Decision No. 72712. The newly Proposed Financing is effectively a refinancing of that previously approved financing.

The Proposed Financing will not affect the technical or managerial qualifications of Applicants nor will it directly affect Applicants' services to customers in Arizona. Furthermore, the Proposed Financing will not involve the issuance of stock, and there will be no change in current ownership. As purely financial transactions, the Proposed Financing will not affect the day-to-day operations of Applicants nor will it change any of the rates, terms or conditions under which Applicants provide service.

In connection with the Proposed Financing, Applicants will enter into (a) a first lien credit facility, consisting of (x) a term facility of up to \$590 million (7-year maturity from the Closing Date); (y) a revolving credit facility of \$50 million (5-year maturity from the Closing Date); and (z) an incremental term and/or revolver facility of at least \$100 million; and (b) a second lien credit facility of up to \$255 million (7.5-year maturity from the Closing Date), and an incremental term and/or revolver facility of at least \$50 million, in each case, as such amounts may be modified in accordance with market conditions. Applicants will retire approximately \$554 million of debt (secured by substantially all of the assets and property of GTEL Holdings, Inc., and its subsidiaries, including the Applicants) at the time of closing. Additional credit, not to exceed \$150 million, may be obtained post-closing by Applicants.

Applicants therefore request authorization to incur aggregate debt of up to \$1,195 million, which will be (a) secured by substantially all of the assets and property of Holdings and its domestic subsidiaries, including the Applicants and any additional domestic subsidiaries acquired or formed from time to time, including but not limited to a perfected first-priority or second-priority, as applicable, pledge of all the equity interests of such subsidiaries, including the

Applicants and any additional domestic subsidiaries acquired or formed from time to time; and (b) guaranteed by Holdings and its domestic subsidiaries (other than GTL), including the Applicants and any additional domestic subsidiaries acquired or formed from time to time. Applicants expect that the Proposed Financing will close prior to receipt of Arizona Commission approval, but the Arizona assets, guarantees and property will be excluded from Proposed Financing until such time as approval is obtained. The new proposed indebtedness will replace Applicants outstanding credit facilities and thereby allow Applicants to obtain long-term credit on favorable terms.

IV. RULE 804 ANALYSIS

Rule 804 of the Commission's Public Utility Holding Company and Affiliated Interest Rules require approval when a utility subject to the Rules guarantees the debt of an affiliate. A.A.C. R14-2-804 ("Rule 804"). The Commission will approve a guarantee under Rule 804 unless the guarantees will: (1) "impair the financial status of the public utility"; (2) "otherwise prevent it from attracting capital at fair and reasonable terms"; or (3) "impair the ability of the public utility to provide safe, reasonable and adequate service." A.A.C. R14-2-804.C. The Financing meets these criteria.

1. Impair the financial status of the public utility

The Financings will improve, not impair, the financial status of the public utilities insofar as they will allow the Companies to reduce future cash interest payments, reduce interest expenses generally and permit longer debt maturities.

2. **Otherwise prevent it from attracting capital at fair and reasonable terms.**

The Financings will not make capital more difficult to attract. To the contrary, the Financings will allow the Companies to maintain a strong liquidity position and will enhance future financing flexibility.

3. **Impair the ability of the public utility to provide safe, reasonable and adequate service.**

The Financings will be completely transparent to Applicant's customers and to the extent the Proposed Financings strengthen the Applicants financial position, they will be better able to serve Arizona consumers.

V. THE PUBLIC INTEREST ANALYSIS

The Applicants provide services to the state and county departments of corrections pursuant to competitively bid contracts. Other providers bid for these contracts and are available to provide services. For this reason, and as concluded by the Commission in Decision No. 72712, the pledge of Applicants assets will not impair the availability of services. Allowing Applicants to refinance current debt as allowed by the market is in the interest of both the Applicants and the competitive market.

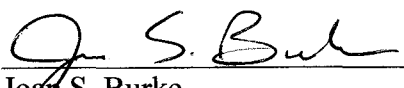
WHEREFORE, the Applicants respectfully request that the Commission approve, to the extent necessary, their participation in the financing transactions described herein and further relief as the Commission may deem appropriate.

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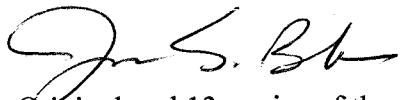
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DATED this 20th day of May 2013.

By: 
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Original and 13 copies of the foregoing
Filed this 20th day of May 2013 with Docket Control